This single chapter on doing business in Oman is excerpted from the FY 2005 Country Commercial Guide for Oman. The full text of the report is also available on this website.

Chapter 1: Doing Business In Oman

Market Overview

Oman's economy is based on oil, although its reserves are modest compared with other states in the region. By some estimates, Oman's proven oil reserves will be substantially depleted by 2020; however, this is generally considered a sliding window in light of the potential for new discoveries or technological advances, which can add to the stock of reserves. By 2020, Oman hopes to have diversified its economy by further developing its natural gas resources, including LNG facilities, energy-based industries, and related businesses. The country also hopes to expand non-oil, non-energy-related industry including light manufacturing, agriculture and fisheries, and tourism. Nonetheless, Oman's economy continues to move in step with oil price fluctuations. Oman's oil revenue by the end of 2004 accounted for 66.9 percent of government revenue and 39.2 percent of overall GDP.

The FY05 Omani State Budget increased overall government spending by 7.6%, reaching $9.584 billion. As the public sector is the primary engine of economic growth, the government hopes that the increase in government spending will stimulate the economy. Net oil revenue reached $4.300 billion by the end of 2004. The government sectors that saw the most sizable spending increases were defense and national security, petroleum, education, and health. The budgetary allocation for defense and national security expenditure is 31% of total government spending, while the combined expenditure on health and education represents 17.1% of the FY05 budget, illustrating the Sultanate's commitment to security and the provision of basic services and a social safety net to the public. Oman's budget projections for 2005 included a target oil price of $23 per barrel and a deficit of $1.42 billion.

Oman depends on imports for over 80 percent of its food needs. Food and agricultural imports in 2003 amounted to $850 million (CIF basis), with U.S. exports accounting for $15 million (FOB basis). The U.S. market share of Omani food and agricultural imports in 2003 was approximately 2 percent. The European Union and Australia are other major food exporters to Oman.

Market Challenges

A number of constraints affect trade and investment in Oman. The problems posed by the country's relatively small population and small domestic markets are amplified by the absence of a modern, high-value consumer market beyond the capital area. This situation results in "leakage" to Dubai and other foreign retail centers. Other problems include bureaucratic obstacles to enterprise development and a risk-averse trading mentality. In addition, other countries in the region typically offer higher industrial subsidies than Oman, making their goods more competitive. The new GCC Customs Union, implemented in January 2003, could make Oman an attractive base for certain industries, especially in light of its outside-the-Gulf ports.

Visas are easier to obtain than before, but some types may require advance planning for non-GCC residents. In July 2003, the Omani government introduced two new classes of visa available at all sea, air, and land points of entry for citizens of the U.S., Western Europe, and other selected nations. The one-month visit visa costs R.O. 6 (approximately $15.60), and the one-year multiple-entry visa costs R.O. 10 (approximately $26). The visit visa is renewable, but the multiple-entry visa is not. The Omani government charges $26 per day for overstays of visas. Visas can also be obtained in advance through application to an Omani embassy, consulate, or trade representative abroad. There are also new expedited procedures for citizens of other GCC nations, as well as a new agreement allowing Omani visa-holders to visit Dubai.

Oman has no import quotas and no major non-tariff barriers affecting food trade. Local production is limited to dates, seafood, vegetables, poultry, and some dairy. For most processed food products, the import duty is a flat 5 percent ad valorem. For live animals, fresh fruits and vegetables, seafood, grains, flours, tea, sugar, spices and seeds for planting the import duty is zero. Imports of alcoholic beverages and pork products are restricted in Oman for cultural reasons, and duties are high. The import duty on cigarettes and tobacco product is 100 percent. Arabic or bilingual English/Arabic language labels or stickers are required for all food products. Production and expiry dates are required to be on all “original” food labels.

Market Opportunities

Oman actively seeks private foreign investors, particularly in the industrial, tourism, and higher education fields. Investors transferring technology and providing employment and training for Omanis are especially welcome. Omani law relating to foreign investment is contained in the Foreign Business Investment Law of 1974, as amended. A Commerce Ministry spin-off, the Omani Center for Investment Promotion and Export Development (OCIPED) opened in 1997 to attract foreign investors and smooth the path for business formation and private sector project development. OCIPED also provides prospective foreign investors with information on government regulations, which are not always transparent, and sometimes contradictory. Nevertheless, despite OCIPED’s efforts to become a “one-stop shop” for government clearances, the approval process for establishing a business can be tedious, particularly with respect to land acquisition and labor requirements.

U.S. fast food and casual dining restaurants are popular in Oman, particularly with the younger generation. Many of the ingredients are imported from the U.S. Good prospects for U.S. food exports, in decreasing order, include: frozen beef; frozen chicken parts; processed fruits and vegetables; snack foods; cheeses; almonds; preserved meat products; breakfast cereals; fruit and vegetable juices; fresh carrots and lettuce; fresh apples and pears; seafood, particularly crabmeat; and miscellaneous food products, particularly hot sauces, salad dressings, catsup, mayonnaise, vinegar, iodized salt, ice cream, frozen dough mixes, Tex-Mex foods and coffee whiteners.

Despite the existence of bureaucratic barriers to trade and investment, a number of important factors favor Omani trade and investment development, including:

- Oman's stated commitment to concluding a Free Trade Agreement (FTA) with the United States. Bilateral FTA negotiations are slated to begin in March 2005.
- Oman's long-term development strategy, which promises greater efficiency and global competitiveness;
- Oman's emphasis on privatization, which offers attractive opportunities for U.S. firms in the electric power, telecommunications, wastewater, and post sectors;
- Oman's accession to the World Trade Organization (WTO) on November 9, 2000, which facilitated Oman's integration into the global marketplace. WTO-consistent protection of intellectual property, market access, and customs valuation are making Oman a more dependable trading partner and a more attractive destination for majority foreign-owned investment;
- Oman's per capita income of roughly $13,000 (purchasing power parity) in 2004. There is no personal income tax in the Sultanate;
- The promising potential of Port Salalah as an international air-sea transport hub, and prospects for the Salalah free trade zone as a magnet for value-added export industries;
- New industrial ports and gas-based industries under construction at Sohar, which will help exploit Sohar's geographic location outside the Strait of Hormuz. Over $10 billion of investment, including substantial portions from the U.S., is projected to transform Sohar into a major industrial hub over the next 3-5 years.

Market Entry Strategy

- A company needs to visit to appreciate Oman's distinctive culture.
- Personal relationships are key to finding and keeping a partner.
- Agents are commonly used, but not always required.
- Agreements generally require significant lead time and follow-up before finalization.
- Importers must be registered with the Ministry of Commerce and be members of the Oman Chamber of Commerce and Industry.
- Importer/distributors are most commonly used in the retail food business.
- Food processors and the hotel/restaurant industry may import directly or purchase goods locally from distributors.

For assistance in locating an agent, the U.S. Embassy's Commercial Section offers an International Partner Search service. The Section be reached at: TEL (968) 24 698-989, FAX (968) 24 604-316. Email: muscatcommercial@state.gov.

Please Note: Country Commercial Guides are available to U.S. exporters on the website: **http://www.export.gov**. They can be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

U.S. exporters seeking further recommendations for trade promotion opportunities in Israel and country-specific commercial information may also wish to visit the website of the U.S. Commercial Service in

Israel **http://www.buyusa.gov/oman**

Travelers may wish to obtain the most recent travel advisory from the U.S. Department of State at **www.state.gov**

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** of the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to one of the following websites: **www.usatrade.gov** or **www.tradeinfo.doc.gov**

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